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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/31/06

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##### 3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 30

NIHON KEIZAI (Page 2) (Full)

May 31, 2006

08:55

Attended a cabinet meeting in the Diet building. JDA Director General Nukaga stayed behind.

09:26

Arrived at Kantei.

10:10

Met World Bank Governor Wolfowitz. Followed by incoming and outgoing chief judge Kohei Nasu and Kunio Hamada.

11:00

Met former Russian Prime Minister Primakov. Later met Diet Affairs Committee Chairman Hosoda.

14:05

Met Justice Minister Sugiura.

15:00

Met incoming and outgoing Japan Business Federation chairman Mitarai and Okuda. Followed by Upper House Secretary General

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Katayama, Fire and Disaster Management Agency Director General Itakura, and others.

15:57

Met Finance Minister Tanigaki, Vice Finance Minister Hosokawa, and others. Followed by Vice Foreign Minister Yachi.

17:37

Met State Minister in Charge of Economic, Fiscal and Financial Policy Yosano, and Assistant Deputy Chief Cabinet Secretary Saka. Later, met Education Minister Kosaka.

19:02

Met Chief Cabinet Secretary Abe, deputy chief cabinet secretaries Nagase and Suzuki, senior vice ministers from various government agencies, and others.

4) US Assistant Secretary of State Boucher asks Japan to support US-India nuclear cooperation

ASAHI (Page 7) (Full)

May 31, 2006

In an interview yesterday to the Asahi Shimbun, US Assistant Secretary of State (for South and Central Asian Affairs) Richard

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Boucher, now visiting Japan to attend in international conference centered on the peace process in Sri Lanka, referred to the nuclear cooperation pact for private-sector use signed between the United States and India in March: "I would hope that Japan examine the contents in detail and look on it favorably." The US government is sounding out Japan for its support of this issue, with an eye on the Japan-US summit meeting at the end of June. His statement as a high-level US official is a clear request for support.

Assistant Secretary Boucher stressed: 1) India is expanding its relations with Western countries across the board; 2) a clean energy supply (through nuclear power) would be for India's economic development; and 3) this would lead toward greater international cooperation in nuclear non-proliferation.

He stated that "it would be in Japan's best interests" to have stable development in India, which is located in between the unstable Middle East, with its Islamic fundamentalist terrorists, and Southeast Asia. He thus urged support from a strategic viewpoint, as well.

5) Cabinet adopts basic US force realignment policy without specifying Futenma relocation site

YOMIURI (Top play) (Excerpts)

Evening, May 30, 2006

The government at its cabinet meeting this morning adopted a basic policy on the realignment of US forces in Japan. The basic policy also mentions the government's plan to swiftly map out a plan to construct alternative facilities for Futenma Air Station (now located in Ginowan, Okinawa Prefecture) based on a Japan-US agreement. The policy also specifies a review of the Midterm Defense Buildup Program to squeeze out necessary funds for the realignment. The focus will now shift to such matters as US force realignment promotion special measures legislation, concrete

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plans for implementing the realignment, and how to split the costs of realignment.

The Defense Agency initially planned to specify "waters in the vicinity of Cape Henoko and Oura and Henoko bays" in the basic policy as the relocation site for Futenma Air Station. But the agency in the end decided not to specify a specific site in deference to Okinawa, which take the view: "We have not agreed to the government plan." At the same time, the policy clearly specifies the abolition of the December 1999 cabinet decision on the original Futenma Air Station relocation plan.

The government will also review the Midterm Defense Buildup Program (24.24 trillion yen for FY2005-2009) once the estimate for the realignment becomes clear in order to come up with funds for the realignment.

The policy also reads, "The government will take steps to help promote local economies so that they will be able to contribute to the peace and security of Japan in compliance with requests from communities bearing additional burdens." The aim is to enhance economic stimulus measures for local governments to be affected by the realignment, such as Nago and Iwakuni in Yamaguchi Prefecture, the relocation site for carrier-based planes now based at the Atsugi base in Kanagawa Prefecture.

Key points in the basic policy on US force realignment

- Take economic stimulus measures in compliance with requests from local governments bearing additional burdens.

- Bear the due cost for relocating US Marines to Guam to

- o

- swiftly realize the relocation.

- Improve the efficacy of defense-related outlays. Review the Midterm Defense Buildup Program once the estimated cost becomes clear.

- Swiftly map out a Futenma alternative facility construction plan based on the plan approved by the Japan-US Security Consultative Committee.

6) Cabinet approves US force realignment plan, but Okinawa raises strong objection

MAINICHI (Page 6) (Excerpts)  
Evening, May 30, 2006

By Teruhisa Mimori, Nakae Ueno, Shinya Oba

Okinawa today raised a strong objection to the cabinet's endorsement to the central government's policy of implementing the US force realignment plan. The Okinawa prefectural government complained that the central government had failed to observe the basic confirmation exchanged between Okinawa and the Defense Agency (JDA) on May 11. Nago City, which has accepted the relocation plan for the US Marine Corps Air Station Futenma, also is becoming increasingly distrustful of the central government,

,  
because Tokyo decided to end the economic stimulus measures for the northern part of Okinawa.

Okinawa Gov. Keiichi Inamine, now visiting Tokyo, yesterday criticized the cabinet's approval at a press conference in Tokyo:

"(The basic) confirmation states that thorough consultations will be held with each concerned area, but this sort of effort has not been fully made. I will emphasize this point from now on." When asked whether his government would take part in a consultative body - an arena for the central government and local municipalities to discuss such matters as a construction plan for an alternative facility for the Futenma airfield -- Inamine indicated he would carefully make a decision about this, saying: "I'd like to decide while discussing it with cities, towns, and villages that will be affected by the realignment plan."

On the consultative organ, Vice Okinawa Gov. Hirotaka Makino told reporters earlier in the day: "We won't respond to talks if the talks are based on the coastal plan." The vice governor thus implied Okinawa's refusal to participate in the consultative organ even if the central government asks Okinawa to take part in it.

The Okinawa prefectural government's position indicated in the basic confirmation is that the relocation site should be a coastal area of Camp Schwab, so Okinawa and the central government has yet to bridge the gap. (The basic confirmation) mentioned that the central government will discuss the details of the relocation plan with affected municipalities, such as the Okinawa prefectural government and Nago City, before the cabinet approves the realignment plan.

In this regard, Vice Gov. Makino said: "The governor has told JDA Director-General (Fukushiro) Nukaga that 'a cabinet approval is an act by the central government, but I can't go along with the contents of (what the cabinet approves).'" But the JDA has twisted this remark by the governor as meaning 'local understanding has been obtained.' It's extremely regrettable."

7) Cabinet decision on USFJ realignment faced with local backlash

NIHON KEIZAI (Page 2) (Abridged)  
May 31, 2006

The government made a cabinet decision yesterday on the planned realignment of US forces in Japan. From now on, the government will expedite its coordination with local governments to shape specific realignment plans, such as relocating Futenma base in the city of Ginowan, Okinawa Prefecture. However, base-hosting localities raised objections to the cabinet decision all at once, claiming that the government has failed to fully account for the US force realignment. The government will likely face rough going in the final phase of its coordination with local base hosts.

"We've confirmed in written form (with the Defense Agency) that the government will fully comply with local standpoints," Okinawa Prefecture's Governor Keiichi Inamine said. "But," Inamine went on, "the government didn't." He stressed, "We have our own plans." With this, the governor clarified that he would not accept Futenma relocation to Camp Schwab's coastal area and that the Okinawa prefectural government would persist in its own counterproposals, such as building a temporary helipad on the camp's premises.

In its cabinet decision yesterday, the government took the position that it would set up a consultative body with Okinawa Prefecture and its base-hosting municipalities and would work out

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a construction plan at an early date. The government intends to launch the consultative body in June and work out a plan in the fall of this year. However, Okinawa is crying out against Tokyo over its pork-barreling of base-hosting localities. It is therefore unclear whether Okinawa will readily sit down at the negotiating table.

In the meantime, the US Navy will redeploy a carrier-based air wing to Iwakuni base in the city of Iwakuni, Yamaguchi

Prefecture. Iwakuni City's Mayor Katsusuke Ihara also criticized the government, saying, "It's very regrettable that the government went ahead with the realignment talks while failing to give sufficient explanations to us." The mayor added, "We'd like to negotiate with the government in a tenacious manner so as to call for the government to retract the planned redeployment." Another specific realignment issue is the US Army's planned relocation of the 1st Corps' revamped command functionality to Camp Zama in Kanagawa Prefecture. The local hosts of Camp Zama, namely the cities of Zama and Sagami-hara, have released their respective comments opposed to the strengthening of base functions.

8) Japan's share of US force realignment cost remains invisible

ASAHI (Page 3) (Excerpts)  
May 31, 2006

Following the cabinet's approval of the government's basic policy on the realignment of US forces in Japan, the focus of attention has shifted to the problem of how to solicit agreement from the local communities affected by the realignment plan, as well as to the size and financial resources of Japan's share of the realignment cost. The government's plan did not present any specific cost estimate. The Japanese government already bears a huge financial burden to maintain the US military presence in Japan. In addition, a new burden, the cost of relocating Marines to Guam, will be imposed on Japan. Japan is unlikely to see any reduction in its burden for hosting the US forces in Japan.

Regarding the estimated total realignment cost, Prime Minister Koizumi told reporters at noon of yesterday: "Close examination is necessary. It will take some time to work out the calculations."

US Deputy Under Secretary of Defense Lawless estimated Japan's share of the realignment cost at 3 trillion yen late April. Regarding this estimate, Defense Agency (JDA) Director General Nukaga said: "It is a groundless figure." Some JDA officials have come up with 1.5 to 2 trillion yen as a rough estimate.

Administrative JDA Deputy Director General Takemasa Moriya also said in a speech in April: "We estimate Japan's share at 2 trillion yen after deducting the share of the cost for relocating Okinawa-based Marines to Guam." If about 700 billion yen in Japan's estimated share of the Guam relocation cost is added to this figure, the total amount will reach nearly 3 trillion yen.

The government set 2014 as the target year for the plans of transferring the US Marine Corps Futenma Air Station, and Marines to Guam. Assumed that the 3 trillion yen is paid over an eight-year period, Japan's share on an annual basis will be 375 billion yen in new expenses. Given the country's current difficult fiscal

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situation, it will not be easy for the government to squeeze out such fiscal resources.

Once the US military vacates the bases located south of Kadena Air Base in Okinawa Prefecture in accordance with the agreement reached between Japan and the US, the government will be released from the obligation of paying ground rents and pay for local employees. The government, though, remains unable to presume a total balance, a government source remarking: "It is still impossible to make a calculation in detail."

9) LDP team suggests bold cut in host nation outlays in US force realignment

ASAHI (Page 4) (Full)  
May 31, 2006

The Liberal Democratic Party's "project team for expenditure reform" decided yesterday to drastically review "sympathy budget" allocations for US forces in Japan, or host nation outlays, as a measure to cut expenditures. The US force realignment plan will

impose a huge amount of financial burden on Japan. By significantly reducing host nation outlays, the LDP aims to obtain public understanding toward Japan's share of the realignment cost and underscore the stance of cutting expenditures without sanctuary.

The project team will compile this week an interim report on items up for spending cuts in general areas (including ODA, defense, and energy) and will include in it this wording: "The drastic review of host nation outlays." The government has begun budget allocations for US forces in Japan as welfare expenses for US base workers. Since the sympathy budget reached a record 282 billion yen (contract base) in fiscal 1997, it has been on the decline. The amount in fiscal 2006 is set at 215.1 billion yen, but the interim report is expected to call for a larger reduction.

Related to defense affairs, the interim report will also include these measures: (1) Reduction in the number of Self-Defense Force regular members; (2) cost cuts by joint procurement by the Air, Maritime, and Air Self-Defense Forces; (3) cut in facility-maintenance costs by preventing bid-rigging; and (4) sweeping review of measures for local communities near US military bases.

10) Public concerned about involvement in US war

TOKYO SHIMBUN (Page 2) (Full)  
May 31, 2006

The government made a cabinet decision yesterday on a basic course of action over the planned realignment of US forces in Japan. With the US military's realignment going on, Japan will be a command linchpin of US forces in the Asia-Pacific region. In the event of emergencies in Japan, the Self-Defense Forces (SDF) and US Forces Japan (USFJ) will act in concert. Japan will solidify its alliance with the United States. At the same time, however, Japan is also likely to "blindly follow" the United States and may be involved in US warfare.

In their talks over the US force realignment, Japan and the United States factored in the Korean Peninsula and the Taiwan Strait and considered maintaining deterrent capabilities.

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However, the United States has shifted its forces to its mainland since the Sept. 11, 2001 terrorist attacks at its nerve centers. The United States therefore had to strengthen its military partnership with the three SDF services in order to make up for its weakened military presence in the Far East.

In the planned realignment of US forces in Japan, the US Army will set up a new command at Camp Zama in Kanagawa Prefecture, for example. The US Army, Navy, and Air Force will combine their commands with their SDF counterparts, namely the Ground, Maritime, and Air Self-Defense Forces, or GSDF, MSDF, and ASDF for short. In addition, Japan and the United States will further conduct joint training exercises and share intelligence. The Japanese government will also study bilateral defense planning in anticipation of emergencies in Japan and mutual cooperation planning in anticipation of emergencies in areas surrounding Japan.

In 1997, Japan and the United States revised their bilateral defense cooperation guidelines. The Defense Agency, meanwhile, wants to overhaul the defense guidelines in an aim to push for bilateral cooperation in counterterrorism, missile defense, international disaster relief, and various other areas.

Japan and the United States have now agreed on the realignment of US forces in Japan. The Japanese government praises itself for the agreement. "This is an outcome of our harmonized efforts to lessen the burden of base-hosting localities while maintaining deterrent capabilities," a senior official of the Defense Agency said.

As a result of USFJ realignment, however, a fusion of the SDF and USFJ will not start. Eventually, Japan may become almost

automatically involved in America's wars. This is a matter of concern to the public. There is such concern even within the ruling Liberal Democratic Party. "The United States can decide on where to send troops," a one-time cabinet minister in the LDP said. "Unlike the United States," this LDP lawmaker added, "Japan has no choice but to blindly follow the United States."

If the SDF and USFJ act in concert to deal with emergencies, enemy countries and terrorists would inevitably equate Japan with the United States. In that case, SDF bases are highly likely to come under attack.

Article 9 in the Constitution of Japan prohibits Japan from exercising the right of collective self-defense. However, Japan would be poised to fight together with the United States as a result of USFJ realignment. If that is the case, there is no doubt that the LDP will call for the government to unseal Japan's self-imposed prohibition against collective defense.

The government, in its cabinet decision yesterday, underscored the necessity of USFJ realignment, recounting: "It is important to maintain and develop the security arrangement between Japan and the United States in order to ensure Japan's national security and maintain peace and stability in the Asia-Pacific region." However, the cabinet decision on USFJ realignment may become controversial on the point of whether the US military realignment in Japan will really help Japan.

11) Japan-China gas field development: Tokyo sidesteps

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demarcation, gives priority to talks on joint development

SANKEI (Page 2) (Lead paragraph)  
May 31, 2006

The government yesterday decided to put on the backburner the work of demarcation to determine the exclusive economic zone (EEZ) during talks with China on oil and gas field development in the East China Sea. Behind this decision is Tokyo's judgment that because talks on demarcation are likely to drag on, it is wise to first engage in talks on joint development on a profit-sharing basis. But this move might be taken by China to mean that Japan has now accepted China's claim about an expansion of the continental shelf.

12) Koizumi refuses to extend Diet session; Key bills to be carried over; Reform of the Social Insurance Agency given up

SANKEI (Page 5) (Excerpts)  
May 31, 2006

Prime Minister Junichiro Koizumi announced yesterday his final decision not to extend the ongoing Diet session, which ends on June 18. Reacting, the government and ruling coalition have started coordination to abandon plans linked to a possible extension of the current session. This will be the last Diet session to be conducted under the Koizumi government, but many contentious bills will now be carried over to the next session (under a new prime minister). Therefore, some lawmakers in the ruling camp, which holds more than two-thirds of the House of Representatives seats, have voiced their unhappiness with Koizumi's decision.

Asked by reporters last night "Is it your last decision that the current session will not be extended?" Koizumi responded, "That's right." Prior to this, Koizumi called Liberal Democratic Party (LDP) Diet Affairs Committee Chairman Hiroyuki Hosoda in his office and told him, "The Diet session will not be extended."

Hosoda, who had called for extending the session, told reporters:

"There are slight gaps between the prime minister, who believes the term of the current session should be respected, and the Diet Affairs chairman, who wants to get the bills through the Diet at any cost."



The ruling camp intends to put priority on the enactment of a set of bills on medical reform, which is now being deliberated in a House of Councillors committee. In the wake of a widening scandal involving social insurance offices' waivers of pension premium payments, the ruling coalition has given up on passing bills to reform the Social Insurance Agency through the Diet during the current session. They will decision within 10 days on whether to kill the bills or carry them over.

Of important legislation submitted to the current session, only the administrative reform promotion bill has cleared the Diet. The medical reform bill might be the only other one that will be enacted before the end of the ongoing session. If the session is not extended, it will be difficult to enact an education reform bill, a bill on national referendum for amending the Constitution, a bill that would make conspiracy a crime, and a

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bill upgrading the Defense Agency to ministry status.

13) Koga's proposal creates debate pro and con in Japan  
Association for the Bereaved Families of the War Dead; Reaching  
consensus difficult on removing Class-A war criminals from  
Yasukuni Shrine

MAINICHI (Page 5) (Full)  
May 31, 2006

Makoto Koga, chairman of the Japan Association for the Bereaved Families of the War Dead, proposed on May 30 that the issue of removing Class-A war criminals from Yasukuni Shrine should be discussed. Following the proposal, the association discussed the issue at its council of directors, but the group ended up divided into those for and those against it. The association therefore simply reaffirmed the conventional view that it is up to Yasukuni Shrine as to whether to remove Class-A war criminals. The association's leadership will discuss whether the proposal should be on the agenda. It will likely be difficult to reach consensus since the issue, being delicate, might split the membership in two.

About 130 members attended yesterday's meeting. Koga walked out of the meeting soon after referring to the issue in his speech. The issue was discussed in his absence.

During the meeting, one member said, "It is useless to discuss the matter because Yasukuni Shrine has said that it cannot remove Class-A war criminals once enshrined." Some said, "We should not shy away from discussing this matter."

The association, a major supporter of the Liberal Democratic Party, is made up of 1 million households. Touching in a meeting of the association in June on Prime Minister Junichiro Koizumi's visits to the shrine, Koga expressed his view that Japan should give consideration to its neighboring countries, but he later changed that view. A senior association member commented on Koga's proposal: "I think that's his personal view. I don't think he has decided to make disenshrinement of Class-A war criminals a policy issue."

In addition to disenshrinement, Koga has made a policy proposal calling for consideration of the removal of Class-A war criminals from the Shinto shrine. Political observers think that he aims to make the Yasukuni issue a major campaign issue in the September LDP presidential election. Many take the view that he wanted to cause a stir by making the proposal even though he knows reaching consensus would be difficult.

14) Justice Ministry likely to limit the number of foreign residents to 3% of total population, reconsider preferential treatment now taken toward foreign nationals of Japanese descent

TOKYO SHIMBUN (Page 1) (Excerpts)  
May 31, 2006

The Ministry of Justice's (MOJ) project team yesterday ended its discussions and came up with a policy proposal concerning ways to accept immigrants. As a medium and long-term goal, the proposal states that the number of immigrants, excluding special permanent residents, should be limited to 3% of the total population, and

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that immigrants would be required to improve their Japanese language capability as well as other skills when they extend their stay in Japan. The proposal also seeks to reconsider the policy of preferential treatment toward foreigners of Japanese descent, namely, unconditionally offering permanent residence status to them and instead to apply the same requirements to them as those applied to other foreigners.

The MOJ intends to make adjustments to this policy proposal after discussing it with other relevant ministries and agencies in the coming weeks and then prepare legislation.

The project team was established in the MOJ in last December. Senior Vice Minister of Justice Taro Kono heads the team.

According to the MOJ's Immigration Bureau, the share of immigrants excluding special permanent residents, such as South and North Korean residents, was 1.2% of the total population as of the end of 2005. Business circles, concerned about the increasingly aging population and declining birthrate, are strongly calling on the government to accept more foreign workers in such areas as nursing care. But Senior Vice Minister Kono said, "Japan can't follow in the footsteps of European nations and the United States, where (immigrants) make up 5-10% of the total population" Kono wants Japan to set some kind of limit on the increase in immigrants.

According to the policy proposal, the current training programs for foreign workers intended to accept those foreigners wishing to learn skills will be abolished because those programs have been simply used to bring in unskilled workers. Instead, a new system will be established. Under the new system, if foreigners, after working as regular employees at firms during a certain period of time, do not improve their skills and Japanese language ability, they will not be allowed to continue working in Japan.

Until now Japan has unconditionally offered foreigners of Japanese descent like children and grandsons of Japanese nationals permanent residence status that does not restrict their activities in Japan, such as employment, but the policy proposal points out the need to reconsider this treatment.

SCHIEFFER